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July 21, 2008

**PARTIES OF RECORD:**

Case No. 2007-00461

Hardin County Water District No. 1

Attached is a copy of the teleconference memorandum which is being filed in the record of the above-referenced case. If you wish to make any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Todd Osterloh at 502/564-3940, Extension 439.

Sincerely

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Stephanie Stumbo  
Executive Director

MTO:v

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File No. 2007-00461  
**FROM:** Todd Osterloh, Staff Attorney <sup>MTD</sup>  
**DATE:** July 21, 2008  
**RE:** Conference of July 18, 2008

On July 18, 2008, Commission Staff held a teleconference in this case. Participating were:

David T. Wilson	-	Hardin County Water District No. 1
Jim Bruce	-	Hardin County Water District No. 1
Brett Pyles	-	Hardin County Water District No. 1
Charlene Easter	-	Hardin County Water District No. 1
David Spenard	-	Office of the Attorney General
Todd Osterloh	-	Commission Staff

Commission Staff ("Staff") scheduled this meeting to discuss issues related to the Hardin County Water District No. 1's ("Hardin District") proposed tariff. Staff wanted to convey some of its concerns, and allow an opportunity for the parties suggest a different course of action, if they found such a change was appropriate.

The overarching issue concerning Staff related to certain protections offered to the mobile home community ("MHC") residents. Staff was concerned that, under the proposed tariff and our current regulations, the responsibility of problematic water lines owned and installed by the MHC owner, but upstream of the water meter, would shift from the utility to the MHC owner. Staff is concerned that if the tariff was approved as drafted and a water line in the MHC were to break, it would be the MHC owner's responsibility to fix the line. Under these circumstances, the utility would be in an unfortunate position in which it was obligated to provide water to its customers—the MHC residents—but without any legal authority to repair the lines in the MHC. One possible solution presented by Staff would be to include a provision in the tariff and agreement that would permit Hardin District to repair any defective line in the MHC that was causing inadequate service and pass the costs on to the MHC owner.

Hardin District reiterated its position mentioned in its filings that it does not believe that 807 KAR 5.066, Sections 1 and 12, can be strictly applied to the circumstances involved in this case. It maintains that because the lines were installed

and are owned by the MHC owners, it cannot be possible to apply the intent of the regulations to the MHC issues involved in this case.

David Spenard added the Attorney General's interest in the Commission's consistent application of issues related to ancillary services—such as billing—provided by water districts. It was his understanding that submetered MHC residents would no longer be customers of the utility, and thus, Hardin District would be providing a billing service. The Attorney General has previously argued before the Commission that a water district does not have the authority to enter into a contract for any purpose other than for a water supply. Staff maintained its position that submetered MHC residents would still be customers of the water district until the point at which the MHC became a master-meter-only customer.

A second concern articulated by Staff related to the submetered MHC residents' interest in continued water service even if the MHC owner were not to pay its portion of the water usage. Even though the tariff provides additional notice in such situations, Staff believed that the Commission may not permit the utility to shut off service at the master meter, effectively denying service to the MHC residents who have continued to meet their obligations as a customer. Instead, Staff suggested that the Commission may not permit Hardin District to shut off service at the master meter with other customers downstream, and instead seek remedies in court. David Wilson stated that on first blush Hardin District would not oppose such a change.

Staff questioned whether the parties would prefer to withdraw the tariff to address the concerns of Staff or whether they preferred to have the Commission issue its decision. Staff noted that a decision in this case is statutorily required on or before August 18, 2008. Hardin District stated that it preferred to have a Commission decision. Even if the Commission denied the proposed transfer, the utility maintained that it would be in a better position to change its proposal after a Commission decision and refile a new tariff, if it chose to do so.

A question was raised as to the possibility of a hearing if the parties wanted one. Staff stated that if the parties filed a motion, the Commission may be willing to hold a hearing. Staff warned that the upcoming statutory deadline may require a decision before the Commission can hold a hearing.

The conference then adjourned.

cc: Parties of Record

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